

Message Text

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ACTION H-02

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H AND ARA/CAR (SURBER)

E.O. 11652: N/A
TAGS: EINV, JM
SUBJECT: QUERY OF CONGRESSMAN VANDER JAGT RE SALE OF
HOLIDAY INN AT MONTEGO BAY

REF: (A) LETTER FROM CONGRESSMAN VANDER JAGT TO
AMBASSADOR IRVING, DECEMBER 19, 1977, (B) KINGSTON 0075

1. IN REF A, CONGRESSMAN VANDER JAGT NOTED THAT IT
HAD COME TO HIS ATTENTION "THAT IN RECENT WEEKS ROSE HALL,
B.I., LTD., WHICH FORMERLY HAD A CONTROLLING INTEREST
IN THE HOLIDAY INN, HAS SOLD ANOTHER OF ITS HOTEL
PROPERTIES, CONSIDERED BY SOME TO BE NOT AS HIGHLY VALUED
AS THE HOLIDAY INN, FOR SOME \$24.5 MILLION. IT CERTAINLY
WOULD APPEAR ON THE SURFACE THAT THE EARLIER SALE OF THE
HOLIDAY INN BY CHASE MANHATTAN COULD WELL BE CONSIDERED
A BREACH OF FIDUCIARY DUTY TO THEIR CLIENT. THIS MORE
RECENT SALE, WHEN COMPARED TO THE MONIES REALIZED BY CHASE
MANHATTAN FROM ITS SALE OF THE HOLIDAY INN, CERTAINLY
INCREASES MY INTEREST AND CONCERN."

2. CHASE MANHATTAN BANK OF NEW YORK CALLED CONGRESSMAN
VANDER JAGT'S INTEREST TO THE ATTENTION OF MR. EDWARD BROWN,
MANAGING DIRECTOR OF THE CHASE MERCHANT BANKERS JAMAICA
LIMITED. MR. BROWN'S EARLIER COMMENTS WERE REPORTED IN REF B.
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HIS ADDITIONAL COMMENTS IN RESPONSE TO THE REPORTED SALE PRICE
OF THIS SECOND HOTEL (MENTIONED IN REF A) ARE AS FOLLOWS:

A. THIS SECOND HOTEL (THE ROSE HALL INTERCONTINENTAL)
WAS SOLD FOR \$20 MILLION INSTEAD OF \$24 MILLION (MR. BROWN
CONCEDES THAT HIS INFORMATION ON PRICE IS SECOND-HAND,
SINCE CHASE MERCHANT WAS NOT A PARTY TO THIS SALE).

HE NOTED THAT THE INTERCONTINENTAL IS NEWER AND LARGER, HAS A GOLF COURSE AND COST MUCH MORE TO BUILD THAN THE HOLIDAY INN.

B. THE INTERCONTINENTAL HOTEL HAD OUTSTANDING DEBTS OF \$18 MILLION. THEREFORE, IF MR. BROWN'S INFORMATION WITH REGARD TO SALES VALUE IS CORRECT, THE NET VALUE OF THE EQUITY IS ONLY \$2 MILLION. THIS, APPARENTLY, IS THE AMOUNT THAT ACTUALLY CHANGED HANDS IN THE TRANSACTION.

C. MR. BROWN POINTED OUT THAT MR. ROLLINS HAD FILED A LAW SUIT AGAINST HOLIDAY INN HOTELS IN THE UNITED STATES FOR ALLEGEDLY CAUSING THE DROP IN PRICE OF HIS HOTEL AT MONTEGO BAY OWING TO THE CHAIN MANAGEMENT'S INTERCESSION IN HIS SUIT IN JAMAICA. THE HOLIDAY INN HOTEL IN MONTEGO BAY HAS BEEN OPERATING AT A LOSS, AND THE MANAGEMENT OF THE HOLIDAY INN HOTEL CHAIN HAD ADVISED THE GOVERNMENT THAT THEY WOULD "USE ANY LEGAL MEASURES TO ALLEVIATE THE FINANCIAL BURDEN OF THE LEASE." MR. ROLLINS CHARGED THAT THIS DECLARATION DEPRESSED THE PRICE HE WAS ABLE TO OBTAIN, AND WAS SUING THE CHAIN FOR \$25 MILLION.

D. MR. BROWN REPORTED THAT IT IS HIS UNDERSTANDING THAT HOLIDAY INN HAD LOST ABOUT \$1.5 MILLION IN 1977, AND MAY AGAIN LOSE THAT MUCH IN 1978 UNLESS THE OCCUPANCY RATE INCREASES.
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3. THE EMBASSY CANNOT VOUCH FOR THE ACCURACY OR COMPLETENESS OF THE FACTS PRESENTED BY CHASE MERCHANT BANKERS. THIS WOULD REQUIRE INSPECTION OF RECORDS AND REVIEW OF COURT TESTIMONY AND EVIDENCE TO WHICH WE HAVE NO ACCESS. THIS IS THE TASK OF THE COURTS. THE MATTER IS CURRENTLY IN LITIGATION BOTH IN JAMAICA AND IN THE U.S. WE URGE THAT THE COURTS BE PERMITTED TO DO THEIR JOB WITHOUT PRESSURE OR INTERFERENCE. WE HAVE NO REASON TO DOUBT THAT A FAIR AND IMPARTIAL JUDGEMENT WILL BE RENDERED.

4. ACTION REQUESTED: SINCE DEPARTMENT IS, WE UNDERSTAND, RECEIVING SIMILAR INQUIRIES FROM CONGRESSMAN VANDER JAGT, WE SUGGEST THAT ARA OR H REPLY ON BEHALF OF BOTH DEPARTMENT AND THIS EMBASSY, DRAWING AS APPROPRIATE ON ABOVE. PLEASE ADVISE ON ACTION TAKEN. IF DEPARTMENT DOES RESPOND ALONG FOREGOING LINES, WE WILL ACKNOWLEDGE RECEIPT OF REF A LETTER, BUT NOTE THAT DEPARTMENT IS RESPONDING TO SUBSTANCE OF HIS QUERY.
IRVING

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